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THEATRE 55 FOUNDATION

Proposal to develop a theatre facility in the City of Hamilton

FINAL REPORT

September 1984

Woods Gordon
Management Consultants

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A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Woods Gordon

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October 5, 1984

Mrs. Joyce Mongeon
President
Theatre 55 Foundation
c/o #108 - 400 East 42nd Street
Hamilton, Ontario
L8T 3B1

Dear Mrs. Mongeon:

Please find herewith a final report on the feasibility of a proposed new theatre in Hamilton.

The Appendices are in a separate document, to avoid a jointly bound document.

The Tables are included opposite the text.

Yours truly,

Woods Gordon

Woods Gordon

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3. Data on the 5 main performing groups in Hamilton
4. Data on arts groups in 5 communities
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6. Data on municipal and regional funding for 5 communities
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EXECUTIVE SUMMARY:

INTRODUCTION

In recent years, there has been considerable development in cultural and recreational facilities in Hamilton. The opening of the HAMILTON ART GALLERY deepened the opportunity for Hamiltonians and visitors to participate in the visual arts. HAMILTON PLACE GREAT HALL brought substantial growth in the activities and audiences of the Hamilton Philharmonic Orchestra and, recently, Opera Hamilton. While it appears that the Great Hall facility is well suited for current presentations, which are principally music concerts, it is not well adapted to presentation of the dramatic arts because of its size (1957 to 2,181 seats).

HAMILTON PLACE STUDIO has provided an opportunity for the steady growth of Theatre Aquarius which moved to Hamilton around the same time as Hamilton Place was built. However, Hamilton Place Studio Theatre is not ideally suited to the growth of professional theatre because of its lack of professional equipment, its configuration and its limited audience capacity. Other auditoriums are used in Hamilton by other groups, but are tied into educational facilities with accompanying design and timetable difficulties.

Theatre 55 Foundation was formed to pursue the concept of a medium size theatre in Hamilton. A proposal was made to the Finance Committee, Council of the City of Hamilton, on April 21st, 1983 for the use of the old public library building and adjacent land

as the site for a civic theatre. In May 1983, the council passed a motion approving the exploration of these properties for such a purpose.

In March 1984, Woods Gordon was asked to undertake a feasibility study of the use of these properties for a professional theatre building and address the issues set out in greater detail in our Letter of Proposal (Appendix One).

EXECUTIVE SUMMARY

CONCLUSIONS

PRIMARY CONCLUSIONS

1. There is a need for a medium size (800 seat) theatre in Hamilton (herein referred to as a 'dramatic arts' theatre) with adequate performance, rehearsal and production space. However, the success of such a project is dependent upon two critical factors:
   a) capital funds must be raised to cover construction costs,
   b) there must be an imaginative theatrical product and a strong marketing programme.
2. The construction and successful operation of the theatre will benefit the City of Hamilton both during construction, which will generate 150 man years of direct employment, and in operation with direct and spin-off benefits.
3. The building should be owned and managed by a Board, with a resident theatre company (presumably Theatre Aquarius) as prime tenant.
4. On the basis of being prime tenant and not manager, the move of Theatre Aquarius from Hamilton Place to a new facility, with attendant problems of physical relocation, expanded programming and fund-raising, can likely be handled by the existing Theatre Aquarius Board and staff, although some expansion may be desirable.

5. Based on the experience of other regional theatres, Theatre Aquarius should attract significantly higher grants from the Canada Council and the Ontario Arts Council than it currently receives, especially with expanded programming and larger audiences.

6. Even with substantial funding from private sources, the Canada Council and the Ontario Arts Council, we envision that the City of Hamilton will still have to finance the operating deficit of this complex for its first four years of operation.

   By year five, however, the complex should not require grants from the City of Hamilton, providing that all projected revenues are realized and that expenses are held to projected levels.

OTHER CONCLUSIONS

We also came to a series of conclusions which we felt, while not entirely within the major terms of reference of the study, were nevertheless relevant. They are listed below along with a page reference to the main body of our report.

	Reference Page
Programming	
Although a variety of performing groups already exist which could use a new medium size theatre in Hamilton, the theatre would have to develop a substantial subscription audience, which we believe is within Theatre Aquarius' ability.	16 22
The potential for a new dramatics arts theatre can be justified by the potential for Theatre Aquarius alone.	18
The city would, however, benefit from the additional programming of outside producers which the existence of the dramatic arts theatre would stimulate.	25
Marketing	
Hamilton can draw on a market of 1 million inhabitants within 40 kilometers of the city centre.	19

Reference Page

Well established benchmarks in the North American theatre community indicate that an audience of 15,000 + subscribers may be possible. However, a number of serious hurdles suggest that this target may be much harder to meet in Hamilton. Comparison of the demographics of the City of Hamilton to other cities suggests that it is unlikely that Theatre Aquarius will reach the degree of penetration achieved by the professional theatre in, for example, London and Edmonton. 22

Some of the real or perceived drawbacks are:

- The Hamilton-Toronto corridor is a considerable market; however, many consider that, emotionally, citizens of Oakville and Mississauga will go to Toronto and not to Hamilton for entertainment. Much is being done in Hamilton to reverse this. 21

- The demographics of Hamilton suggest some limitations in the potential for performing arts subscription audiences. The elements of demographics involved include the number of shift workers in Hamilton and the number of citizens whose first language is not English. 20

There is potential programming available to use some of the time not taken up by Theatre Aquarius. Interest has been expressed by promoters and other performing arts groups in using this time. 24

Over and above the amount of time that Theatre Aquarius will require, there is a need, if the project is to make any sense whatsoever in the broader 24

Reference Page

arts community, for the space to be available for programming of other Hamilton semi-professional and amateur theatre groups (such as Hamilton Theatre Incorporated and the Players' Guild), and touring group presentations such as childrens' theatre productions, chamber ensembles, dance groups, light entertainment variety acts, visiting or exchange theatre productions, and festivals. However, the degree to which local semi-professional and amateur groups might use the facility would very much depend on the rental and associated rates charged to them, and the encouragement of management.

There already exists a significant volume of touring theatrical productions which could use a theatre of this size. 24

Local impressarios expressed strong interest in renting blocks of time for entrepreneurial programming. However, the utilization of the theatre by these impressarios will be limited by the scheduling of the prime tenant. 24

If Theatre Aquarius cannot use 183 days of usage as projected, non-Theatre Aquarius programming can correspondingly be increased, but with an escalation of the financial and artistic risks. 23

Reference Page

Hamilton Place and the Trade 25
Centre/Arena represent competition for the
entertainment dollar. On the other hand, the
facilities will complement each other in
offering a wide range of theatrical experience.
Hamilton Place and the Trade Centre/Arena are not
designed for the effective presentation of the
dramatic arts. A medium size theatre was in fact
originally planned as a complement to the Great
Hall of Hamilton Place.

Management

Initially, Theatre Aquarius and 30
Theatre 55 Foundation should concentrate on
developing their mutual interests without seeking
significant operational ties to Hamilton Place.

For maximum advantage to be realized 30
by the community, it is desirable that the non-Theatre
Aquarius time in the facility be used as much as
possible by local groups, but such engagements should
only be booked if anticipated revenues will exceed costs.

Reference Page

Financial

Based on traditional subscription/ single ticket seat ratios, box office revenues will not cover operating costs. 31

For Theatre Aquarius to be viable in the long term, more appropriate levels of funding from senior levels of government will be needed, together with a vigorous fundraising and subscription development program. 31

Economic and Social Impact

Theatre Aquarius' continued growth is dependent on its relocating, as the Studio Theatre of Hamilton Place is a multipurpose space not solely designed for professional presentation and has limited seating. However, the Studio Theatre has served Theatre Aquarius well, and were Theatre Aquarius to leave it: 50

- o Hamilton Place would have to replace a large part of the $44,700 rent budgeted for the Studio Theatre in 1984.
- o To the extent that this is not accomplished, the City of Hamilton would have to increase its support of Hamilton Place.

Reference Page

Significant commercial activity will be generated from the creation of this dramatic arts theatre. First of all, construction will generate approximately 150 man years of direct employment, in addition to purchases of materials and services. Secondly, there will be spin-off benefits traditionally related to theatre operations, such as: 50

- o the creation of other retail facilities nearby, such as restaurants and shops
- o the generation annually, through the operations of the theatre, of 44 full time jobs in the theatre, an additional 48 local jobs created through spin-off effects, and extra additional household income in Hamilton of $9,200,000.
- o the enhancement of Hamilton's image as an attractive place to live and work.

EXECUTIVE SUMMARY

ENGAGEMENT, METHODOLOGY AND SIGNIFICANT ASSUMPTIONS

The engagement

1. In a proposal made by Woods Gordon dated November 29th, 1983, and a subsequent letter of intent dated January 30th, 1984 (see Appendix 1), we suggested that two questions needed to be answered:
   - Can the proposed theatre complex be run in a way that removes the need for any public operating subsidy?
   - What will be the impact on Theatre Aquarius of the move to the new complex?
2. We suggested the following methods as appropriate in answering these questions:
   - development of basic market and demographic data
   - development of possibilities for programming for the theatre, and priorities among them
   - estimate of overhead and operating expenses of the complex
   - estimate of attendance
   - development of a proposed artistic and administrative organization
   - development of management and administrative needs
   - definition of way in which Theatre Aquarius would interact with Theatre 55 Foundation

- a review with the architect of capital cost estimates, an estimate of the most realistic source of capital revenue, and an associated implementation plan.

Methodology

1. We began by assessing the demand for arts facilities, as expressed by the arts community. Central to this was the need indicated by Theatre Aquarius for a professional theatrical space suited to the work of a major regional professional theatre company. In this regard we talked to representatives of Theatre Aquarius, the Hamilton Theatre Incorporated, the Players' Guild, the Hamilton Philharmonic Orchestra, Hamilton Place, Opera Hamilton and a number of leading performing arts entrepreneurs and impressarios in Hamilton.
2. We also talked to a number of members of the general, university and business community concerning their views as to the desirability of and need for a new theatre.
3. We made extensive comparisons of Hamilton with other cities in Ontario and with other Canadian cities which contain major professional regional theatre companies.
4. We examined the operating and financial history of Theatre Aquarius.
5. We examined key elements of the current financial operations of Hamilton Place, the St. Lawrence Centre (Toronto), the Grand Theatre (London) and Young People's Theatre (Toronto).

6. We have relied on the Moffat/Kinoshita Partnership, Architects and Planners for development of capital construction costs.

7. We developed key overhead costs by reference to budget information for other comparable theatre facilities.

8. We developed revenue and expense projections for both the operating company and the building for the first five years of operations.

Significant assumptions

During the course of our work, certain key assumptions were made.

1. Theatre Aquarius will be the prime user of the proposed new facility.

2. Theatre Aquarius has the artistic quality that will enable it to expand its audience base dramatically.

3. Capital funds for the theatre facility construction can be raised entirely from non-repayable grants and donations.

TABLE 1

Dramatic Arts Theatre

Ranges of Possible Use of a Year's Programming

	Number of Weeks	Hypothetical Allocation of Weeks
1. Prime theatre subscription series	15-20	18
2. Other local semi professional and amateur theatre groups a) adult theatre b) children's theatre	10-15	12
3. Local chamber opera	3-6	3
4. Local theatre/business trade show/seminar/meeting usage, including civic usage	2-10	2
5. Local and visiting chamber ensembles	3-6	3
6. Visiting or exchange theatre production	5-10	4
7. Light entertainment variety acts (group or solo)	3-6	4
8. Dark	3-11	6
	44-84	52

Source: Woods Gordon estimate

SECTION TWO

OVERVIEW OF USERS, METHODS OF PRODUCTION, AND DEVELOPING AN AUDIENCE

The thrust behind this study is the idea of a dramatic arts theatre incorporating the former Public Library Building.

Users

Such a theatre would be appropriate for a number of Hamilton groups, including Theatre Aquarius, Hamilton Theatre Incorporated and Players' Guild. There are others who could use the theatre on an occasional basis:

- o new local arts companies (such as a children's theatre company) and activity by local arts promoters;
- o a variety of existing touring groups - chamber music, light entertainment variety arts, dance troupes, etc.;
- o the City of Hamilton for visitors to Hamilton as an orientation centre;
- o use by educational institutions as an alternative to on-site auditoriums;
- o use by television producers.

Table 1 (opposite) sets out an illustrative range of possible use of a year's programming. The lack of theatrical activity in the summer in Hamilton supports the often expressed view that it is difficult to attract audiences to the theatre in July and August, and this problem emphasizes the need for conservative projections.

Production

Whatever the event, it has to be produced. There are a number of ways this can be done. The performing group can rent the

theatre and produce and promote its event and take all the box office and all the risk. At the opposite extreme, the theatre management can pay the performing group a fee, be responsible for promotion and take the box office. Under this arrangement the theatre management assumes all the risk. Most performing events in most theatres are put on under pure rental or co-promotion arrangements.

Audience

The audience that can be brought in for a show by a regional theatre depends on the quality of the show and on its history of building and satisfying that audience. While the issue of the quality of acts is outside the reference of this study, we can comment on the other factor.

It takes a long time to build audiences for the performing arts; most theatres survive over the years by building up a sufficiently loyal audience for a particular kind of product. Whether it be the Royal Alexandra in Toronto, the Neptune Theatre in Halifax or a successful dinner theatre, the facility has to build a following over time.

The most secure way of doing this for a theatre of any size is by subscription. There are theatres that exist solely by putting on a series of events, each one publicized and sold separately, but the number of quality medium or large size theatres who can afford the risk involved in doing this in Canada is very limited. With the exception of concert size auditoriums, which usually have subscription-based tenants, virtually all professional theatre facilities in Canada survive by building subscription series for a major portion of their time.

Subscription audiences will not accept an uneven range of quality, nor will they usually be interested in more than one type of performing art in a particular series.

2.1 Conclusion

A variety of performing groups already exist which could be brought in to a new dramatic arts theatre in Hamilton. The theatre would, however, have to develop a substantial subscription audience for its main productions. We think this would be best done through a resident theatre company.

TABLE 2

Dramatic Arts Theatre

Comparison of Key Data for Six Cities Having Professional Theatre Companies

City	Core Area Population (1981*)	Subscription Level	Total Seats Sold	Total # of Productions	House Size	Average Attendance	Ticket Price Range	Total Earned Revenu (1982/83)
Hamilton (Theatre Aquarius)	306,538	5,050**	25,250	5	334	87%	$ 6.50 to $15.00	$ 672,670
Vancouver (Vancouver Playhouse)	410,188	7,900	47,400	6	650	70%	$10.50 to $14.50	1,047,554
Edmonton (Citadel Theatre)	505,773	22,000	132,000	6	685	75%	$ 8.00 to $22.00	2,097,096
Winnipeg (Manitoba Theatre Centre)	484,143	15,150	90,900	6	789	84%	$ 5.00 to $18.50	1,554,501
London (Grand Theatre)*	256,789	16,070	96,420	6	839	75%	$ 7.00 to $18.50	1,227,625
Halifax (Neptune Theatre)	183,223	8,600	51,600	6	521	89%	$ 6.00 to $14.00	569,903

Source: Woods Gordon Survey
Canadian almanac

* Estimate for 1984/85, as 83/84 was an atypical year.
** for 1984/85, paid subscriptions are over 6,900.

SECTION THREE

ASSESSMENT OF ALTERNATIVE PROGRAMMING CONCEPTS

The existence and history of Theatre Aquarius was the stimulus for this study. As suggested in Table 2, opposite, Theatre Aquarius has a subscription audience, (now over 6,000 for 1984/1985) which places it close to the audience range of major regional professional theatre companies in Canada.

In our experience, there is general agreement that such drama works best, artistically and financially, in house sizes of approximately 800 seats. For instance, the St. Lawrence Centre Theatre (Toronto), the Grand Theatre (London), the Shaw Festival Theatre (Niagara-on-the-Lake) and the National Arts Centre Theatre in Ottawa are all approximately this size.

The Studio Theatre of Hamilton Place has served Theatre Aquarius fairly well during the period of the theatre company's development but it is not capable of providing the strong character of individual identification to Theatre Aquarius that the latter will need if it is to grow into a major regional company. It was designed as a rehearsal hall which could also be used for experimental theatre and general community use and has limited seating capacity.

When one puts together the need of any facility to have a strong subscription audience for a defined art form and the successful history of Theatre Aquarius, it becomes evident that any plan for a new medium size theatre in Hamilton must be based around Theatre Aquarius and its steady growth.

We note that we have not investigated the possibility of an alternative to Theatre Aquarius as the prime user of the proposed theatre, since it became apparent in our meetings that few practical alternatives exist. A range of programming concepts is still possible and Theatre Aquarius might have a greater or a lesser role, depending on the market that exists for its product.

This in turn frees up a lesser or a greater amount of time for other programming, but no other performing activity comes close to representing the proven audience already achieved by Theatre Aquarius, and no other potential performing activity (dance, music, etc.) has been suggested as likely to build anything like as viable an audience.

One possibility that has not been explored is cooperaton with the Shaw Festival as a winter home for dramatic productions.

3.1 Conclusion

The potential for a new 800 seat performing facility has to rest almost entirely on the potential perceived for Theatre Aquarius. Any programming over and above that may be desirable and may strengthen the case for the theatre facility, but only once it has been shown that the prime user (Theatre Aquarius) can use it to a sufficient degree.

TABLE 3

Dramatic Arts Theatre

Source of Audience Members for Major Hamilton Performing Groups

1983/84 Season

	Audience from Hamilton	Outside Hamilton to 25 km	25 km to 40 km	Beyond 40 km
Theatre Aquarius	43 %	41 %	11 %	5 %
Hamilton Philharmonic Orchestra	55	30	6	9
Opera Hamilton	48	23	12	17

Source: Performing arts organization surveys

SECTION FOUR

ASSESSMENT OF THE MARKET FOR THEATRE AQUARIUS

It is useful to look at three populations that can be drawn on as a potential theatrical audience:

- the core population of the City of Hamilton of 306,538 (1981 Census)
- the population within 25 kilometres, which brings the total to 586,348 by adding Burlington, Ancaster, Dundas, Stoney Creek and Grimsby
- the population within 40 kilometres, which brings the total to 966,989 by adding Oakville, Milton, Cambridge and Brantford

In our experience, a common practice within the theatrical community is to regard the population within a half hour's drive of the theatre as the primary target market for audience development. As suggested in Table 3, all three major Hamilton performing arts groups bring significant numbers of their subscribers from 40 kilometres and beyond.

One rule of thumb developed for arts groups subscription penetration is that it ought to be able to secure subscriptions from 2 to 3 percent of the population within a reasonable distance of its performing facility. This rule was developed and is used by Danny Newman, the leading authority on subscription development in North America. It is mentioned in his standard book on the subject "Subscribe Now!" and is also used as a benchmark by the Canada Council. Mr. Newman notes that the smaller the community the higher the success rate often achieved (often dependant on the distance to a major entertainment centre). He also observes the particular good

TABLE 4

Dramatic Arts Theatre

Comparison of Subscriptions to Populations
at Varying Distances from the Centres of Six Cities

1983/84 Season

City	Theatre	Population (000) Metropolitan	Out to 25 km.	Out to 40 km.	Subscription as % of Metro Population	Out to 25 km.	Out 40
Vancouver	(Vancouver Playhouse)	410	1,103	1,247	1.9	0.7	0.
Edmonton	(Citadel Theatre)	506	640	703	4.4	3.4	3.
Winnipeg	(Manitoba Theatre Centre)	484	587	624	3.1	2.5	2.
London	(Grand Theatre)	257	323	400	6.3	4.9	4.
Hamilton	(Theatre Aquarius)	307	586	967	1.6	0.9	0.
Halifax	(Neptune Theatre)	183	265	284	4.7	3.2	3.
						Average:	2.

Source: Woods Gordon Survey.

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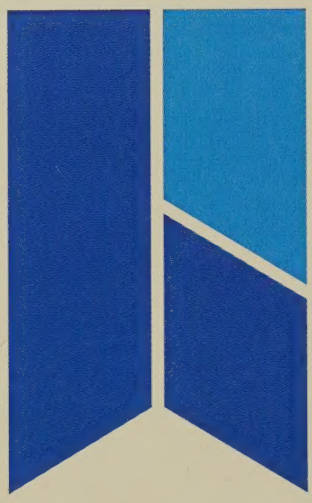

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success of Canadian communities. His opinion is also borne out by the results achieved by Canadian regional theatre companies.

Table 4 compares subscription levels to population in six cities with established professional theatre companies. The data indicates that, on average, these established professional theatres manage to gain between 2 and 3 percent of their market population as subscribers.

A number of questions arise as to the applicability of these kinds of results to Hamilton. They include

(1) Are the demographics of Hamilton significantly different from those of the cities with which Hamilton is being compared?

Table 5 suggests that one significant difference between Hamilton and the range of the other cities is that Hamilton has significantly fewer citizens who have attended university. However, London is below other cities in this respect, but the Grand Theatre has achieved the best overall ratio of subscriptions to population.

None of the other cities are close to other major cities with entertainment alternatives.

Another is that Hamilton has a relatively high ethnic population. One characteristic of ethnic population is that their expenditure on food and home-centered events tends to be higher than for the non-ethnic population. This would tend to limit expenditures available for entertainment.

Also, Hamilton has a high percentage of blue collar workers, many of whom are shift workers. This would tend to make it difficult for individuals to plan to attend subscription events.

Finally, Hamilton has limited public transportation and relatively poor transportation links with nearby cities, making access to the theatre more difficult than it otherwise might be.

(2) Will a growing Theatre Aquarius compete for audiences at the expense of other Hamilton performing groups and facilities?

There will be some overlap between the Theatre Aquarius audience and that for other groups. Whether or not this limits the potential for either to grow is moot. Danny Newman (see earlier reference) is emphatic that quality product and good marketing so vastly outweigh all other factors that they can cause large increases simultaneously in subscription audiences for groups that might be regarded to be in competition. At present there is no great overlap between the two main professional groups (Hamilton Philharmonic and Theatre Aquarius); according to an orchestra survey done in February, it was less than a 10 percent overlap.

However, notwithstanding the survey done by the Hamilton Philharmonic Orchestra, major arts groups in Hamilton at present coordinate to a high degree to ensure that their dates do not overlap. As Theatre Aquarius grows, the likelihood both of date conflict and audience overlap increases.

(3) Will Toronto represent a drain on the potential Theatre Aquarius audience?

Our opinion, endorsed by those we interviewed in the theatrical and impressario community, is that the 1 million inhabitants within 40 kilometres of the city represent a reasonable market territory for a proposed theatre but with a number of significant caveats. Some of these caveats are due to the demographics of Hamilton, just discussed. Toronto has become a performing arts mecca, to say nothing of its other social and recreational facilities. Many interviewees stressed that, emotionally, citizens of Oakville and Mississauga want to go to Toronto, not Hamilton, for entertainment. This may well dilute the potential market for attractions in Hamilton in terms of visitations from those east of Burlington.

One indication of the impact of those hurdles particular to Hamilton for an arts organization seeking to realize the benchmark is that the Hamilton Philharmonic Orchestra, the most well developed arts organization in Hamilton, had less than 6,000 subscribers for its 1983/84 season

If one looks at the potential represented by 3 percent

of the market as subscribers, one comes up with 27,000 subscribers:

Current Subscription Level	Potential Subscriptions: 3 percent of: City of Hamilton	Population within 25 km	Population within 40 km
5,050	9,200	17,600	27,000

At 2 percent, it would be 18,000 subscribers:

Current Subscription Level	Potential Subscriptions: 2 percent of: City of Hamilton	Population within 25 km	Population within 40 km
5,050	6,133	11,733	18,000

Alternatively, if the potential declines further from Hamilton, a target of 18,000 subscribers is still feasible:

Potential Subscriptions: 3 percent of City of Hamilton	2 percent of additional population to 25 km	1 percent of additional population to 40 km	Total
9,200	5,600	3,113	17,933

4.1 Conclusion

Well established benchmarks in the North American theatre community and especially the Canadian theatre community, suggest that an audience of 15,000 + subscribers for Theatre Aquarius may be possible. However, a number of serious considerations may mean that this target may be much harder to meet in Hamilton than it would be for the same sized population in the other cities to which Hamilton has been compared.

Nevertheless, taking all of the above into account and noting that Theatre Aquarius is going into its 1984/85 season with more than 6,700 subscribers, a one-third increase over 1983/84, we believe that Theatre Aquarius has the potential to further increase its subscription audience substantially.

TABLE 6

Dramatic Arts Theatre

Use of New Theatre Facility During its First Year of Operation by Theatre Aquarius

Event	Number of Subscribers	Number of Performances	Number of Performance days	Non-performance days used rehearsal, set up, take-down	Total Number of days used
Subscription # 1	9,000	16	12	8	20
# 2	9,000	16	12	8	20
# 3	9,000	16	12	8	20
#4	9,000	16	12	8	20
#5	9,000	16	12	8	20
#6	9,000	16	12	8	20
Musical	16,000 single tickets	24	20	10	30
Children's Show	16,000 single tickets	24	20	10	30
Other				3	3
Total	86,000	144	112	71	183

Source: Woods Gordon and Theatre Aquarius.

SECTION FIVE

ASSESSMENT OF THE MARKET FOR OTHER EVENTS

If Theatre Aquarius moved to a new theatre facility, it would be unlikely to realize its full subscription potential overnight. Theatre Aquarius might start with, say 9,000 subscribers (a reasonable increase over its present level, brought on by the attractions of the new building and good marketing), and then build this subscription level, aiming at a target such as 15,000 subscribers.

Theatre Aquarius Board and Staff have expressed a strong interest in programming beyond six subscriber shows (one more than the current five) in its first full year in a new building. In its plans for its first year in a new facility, it proposes to use 183 days of the available time:

Available Days		Theatre Aquarius	Other Uses
Prime Time (Sept 1. to June 30):	303	174 (60%)	129 (40%)
Off-Season and dark days (July 1 to August 31):	62	9 (15%)	53 (85%)
	365	183	182

Table 6 (opposite) indicates the way in which Theatre Aquarius proposes to use these 183 days.

The intention of Theatre Aquarius to use the facility at least 50% of the year, and pay for the time accordingly, represents

---

*Includes an estimated 60 performance days and 122 dark days.

both a risk and an opportunity. If Theatre Aquarius does not meet this utilizaton, the building would be faced with serious financial problems unless substantial alternative programming is booked.

Even if the plans of Theatre Aquarius are realized, there will be a substantial amount of unprogrammed time in the theatre (although Theatre Aquarius' growth would reduce this over the years).

Additionally, if the project is to make any sense whatsoever in the broader arts community, some space must be made available for other Hamilton interests.

Interest in the proposed new theatre facility has been expressed by local impressarios. Hamilton Theatre Incorporated and Players' Guild have interest depending on the relative attractiveness of the financial arrangements and support by the management of the facility vis a vis prime time available and the degree to which the facility is truly available for their use exclusively. The utilization of the theatre will be limited by the scheduling of the prime tenant. There are also other interested parties (e.g. the dance community). All of this suggests some potential local use over and above that by Theatre Aquarius.

The substantial level of usage of theatres of this size by touring children's productions, dance, music, drama, light entertainment and variety groups in Ontario suggests, in conjunction with the opinion of local and other impressarios, that touring shows could be brought in to use the facility to a degree. The conclusion of local impressarios is that an audience exists, though there is no firm data to prove this. The experience of other theatres (the Grand

Theatre London, CentreStage (Toronto), the Manitoba Theatre Centre (Winnipeg) for example) is that local and touring programming does become available to fill a part of the time not used by the resident theatre company.

The city would benefit from this additional programming in that its citizens would have access to a richer variety of cultural and recreational programming.

However, it should be emphasized that the key to using the theatre well is to have a healthy audience developed for the resident theatre company on a sound financial basis, not necessarily to fill or even use the theatre every night of the year. Dark days are not necessarily a bad thing.

Hamilton Place and the Trade Centre/Arena represent competition for the entertainment dollar. On the other hand, the facilities will complement each other in offering a wide range of theatrical experiences. Hamilton Place and the Trade Centre/Arena are not designed for the effective presentation of the dramatic arts.

Conclusion

There is potential programming available to use some of the time not taken up by Theatre Aquarius, and an interest in the impressario and wider performing arts community in using this time.

Risk is associated with the development of this programming. If Theatre Aquarius does not reach 183 days of usage as planned, the pressure to put on non-Theatre Aquarius programming will increase, and the risks will increase correspondingly.

To some extent, Hamilton Place and the Trade Centre/Arena represent competition for the audience dollar, but in some ways the three facilities complement each other.

SECTION SIX

MANAGEMENT OPTIONS

There are a number of ways the theatre can be owned and operated.

All of them assume a strong, pre-eminent programming position for Theatre Aquarius.

The basic issues behind the management options are:

- should Theatre Aquarius run and operate the facility or should it be a tenant?
- can the facility be run in conjunction with other public facilities, especially Hamilton Place?
- how can the non-Theatre Aquarius time be programmed, and how much risk is the theatre prepared to take to generate this programming.

Issue

Should Theatre Aquarius own and operate the facility or should it be a tenant?

Discussion

Whatever the relationship between the operating company and the building, the prospects for the theatre must be based on the prospects for Theatre Aquarius. The primary thrust of Theatre 55 Foundation is to examine the feasibility of establishing a medium size theatre facility utilizing the Public Library Building. The primary thrust of Theatre Aquarius is to be an operating professional theatre company.

If and when the theatre building is built, the role of Theatre 55 Foundation could take one of several forms. It could:

a) go out of existence, handing the building over to Theatre Aquarius as a turn-key operation

TABLE 7

Dramatic Arts Theatre

Arguments For and Against Alternate Forms of Management

	Pros	Cons
1. Theatre Aquarius as owner and operator	Most efficient use of budget Minimization of inter-board conflict Maximum advantage to Theatre Aquarius	No offsetting independent guardian of the building A risk of minimization of opportunity for other local arts groups
2. Theatre 55 as owner and part operator, Theatre Aquarius as prime tenant	Relief for Theatre Aquarius from building maintenance and extra programming responsibilities	Probably the most expensive model Financial risk for Theatre 55 Board
3. Theatre 55 as holding company, Theatre Aquarius as tenant and manager	May be alternative to some community interests who want a long term say in the affairs of the building	No real power for the Theatre 55 Board A risk of minimization of opportunity for other local arts groups

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Source: Woods Gordon

b) continue as the landlord of Theatre Aquarius, with responsibility for maintaining the facility, and perhaps other responsibilities (see below).

Table Seven lists basic arguments for and against three models:

- Theatre Aquarius as owner and operator
- Theatre 55 as owner and part operator, Theatre Aquarius as prime tenant
- Theatre 55 is owner with Theatre Aquarius as tenant and manager

Either a structure involving separate Boards for the building and Theatre Aquarius or a single Board is possible. There is, in fact, a fundamental conflict between the financial logic of combining the boards and the artistic and community interest check and balance which suggests two Boards.

The advantages of separate roles are that the owners of the building and the operating company can each clearly focus on their quite different responsibilities. The disadvantage is that the interests of the two are so interlocked that it is difficult for the one to make decisions that do not directly affect the other. Both methods of operations are found in the Canadian theatre community.

On balance, we believe that the advantage of having a separate board as owner and part operator and Theatre Aquarius as prime tenant marginally outweighs the other models. We believe that it is important that there be a programming counterbalance, however small, to Theatre Aquarius, and also that the finances of the building itself be looked after in an arms-length fashion.

Issue

Can the facility be run in conjunction with other public facilities, especially Hamilton Place?

Discussion

There may be operating cost efficiencies which can be achieved in terms of box office management, maintenance, promotion and booking of the non-Theatre Aquarius time (see below). However, offset against this is the very real need of a professional theatre company to have authority and control over the activities of people and the use of its own space. Apparent operating savings may be more than offset by jurisdictional squabbles and resulting operational problems. In addition, the role of the newly established 'Super Board' which now manages Hamilton Place and the Trade Centre/Arena is likely to go through some evolution.

Therefore, it is important that the proposed theatre be evaluated as a stand-alone basis initially before other tie-ins are considered.

Issue

How is the non-Theatre Aquarius time to be programmed?

Discussion

There is no question but that Theatre Aquarius will take up the lion's share of the programming, especially in prime season. However, the remaining available time still has great community value. There are advantages in having the building owner and manager program this time in a manner and with a perspective that is somewhat removed from the interests and perspective of Theatre Aquarius.

We suggest that the most important priorities are for both the building operator and Theatre Aquarius to minimize expenses, and for Theatre Aquarius to build a healthy subscription level rapidly. It is desirable from the viewpoint of developing community arts organizations that non-Theatre Aquarius time in the building be used, by local groups. Some risk can be taken by the facility in achieving this - this is standard practice in a community centred (and sponsored) facility. It is important, however, that the risk balance out over the year so that the facility does not incur a loss on this programming, offset only by profits from Theatre Aquarius operations.

Conclusion

The building should be owned and managed by one Board for the benefit of the citizens of Hamilton, with a resident theatre company (presumably Theatre Aquarius) as prime tenant.

Theatre Aquarius and Theatre 55 Foundation should concentrate on developing their own interests without seeking significant linkage with Hamilton Place for the time being.

It is desirable that the non-Theatre Aquarius time in the theatre be used as much as possible, particularly by local groups - but not at a net cost to the facility.

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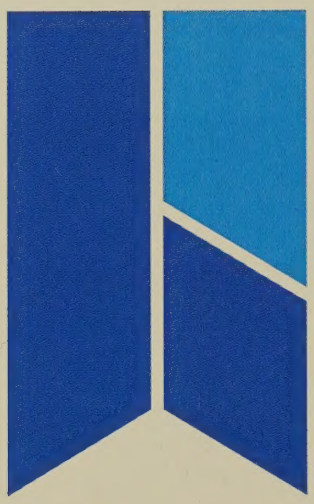

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SECTION SEVEN

PROFORMA STATEMENT OF REVENUES AND EXPENSES

Summary

The implications of the proforma (facing this page and discussed below) are that the combined Theatre Aquarius/Theatre 55 operation will lose approximately $208,000 in its first year of operation and will not break even until the fourth year. Cumulative losses for the first three years exceed $350,000.

The City of Hamilton will have to finance the operating deficit for four years. By year five, the complex should not require a grant from the City, provided that all projected revenues are realized, and that expenses are held to projected levels.

For Theatre Aquarius to be viable in the long term, more appropriate levels of funding from senior levels of government will be needed, together with a vigorous fundraising and subscription development program.

Discussion

Table 8 on the facing page, sets out a projected revenue and expense summary for Theatre Aquarius and the Theatre 55 building for the first five years' operations of the Dramatic Arts Theatre from fiscal 1987/88 to fiscal 1991/92. It also sets out for comparison purposes the audited revenue and expense results for Theatre Aquarius for fiscal 1982/83 and fiscal 1983/84. Finally, for comparison

purposes, the fiscal 1984/85 budgeted revenue and expenses figures for Theatre Aquarius are presented.

We must emphasize that we have, in preparing these projections, relied on representations by Theatre Aquarius and the published financial information available on that entity; extensive interviews and discussions referred to elsewhere in this report; and review of budgeted 1984 operating results for Hamilton Place, The Grand Theatre, The Young People's Theatre and the St. Lawrence Centre. No attempt has been made on our part to audit or in any other way verify the data we have relied upon; accordingly, we are not in a position to express an opinion on the projections set out in Table 8 since projections, by their nature, are the subject of numerous estimates and assumptions with the result that actual results realized inevitably will vary from the projection, in some cases by material amounts.

The projection has been prepared on the assumption that two entities will exist - Theatre Aquarius, as an operating theatre company and prime tenant and the Theatre 55 Foundation as landlord and manager. The allocation of revenues and expenses to each of these two entities must, to some extent, be regarded as arbitrary, and final negotiations between the Boards of the two entities may result in certain revenue and expense items being allocated to the entities in a fashion dissimilar to that presented herein. Generally, the projections have been prepared on the assumption that the Theatre 55 Foundation will be responsible for booking the non-Theatre Aquarius time in the Dramatic Arts Theatre.

Additionally, all of the projected numbers are expressed in 1984/1985 dollars.

Basis for 1987/1988 Projection

Theatre Aquarius revenues -

It is assumed that the Theatre will be available for occupation by Theatre Aquarius effective September 1987. In the 1987/88 season, Theatre Aquarius is projected to have built its subscriber base to a total of 9,000. If each show runs for 16 performances (see Table 6), this means that subscribers would take up 70 percent of the seats on average. In that year, Theatre Aquarius will present six subscription shows at $10 per show average subscripton price. Adding a service charge of $1 per subscription purchased to the otherwise calculated revenue, yields gross subscription revenue of $549,000.

Theatre Aquarius will, in that year, also present a children's show (such as "Robin Hood") which is projected to sell 16,000 at $5 each. Additionally, a Christmas musical (such as "Oliver!") is also projected to sell 16,000 seats at $14 each. Both these sales levels have been achieved by this organization in the past. The final component of earned revenue comprises casual ticket sales projected to aggregate 1,000 seats for each of the six shows at the $10 average ticket price, yielding total revenue from this source of $60,000.

TABLE 9

DRAMATIC ARTS THEATRE

COMPARISON OF GRANTS RECEIVED BY REGIONAL THEATRES

1982/1983

	Total Revenue	Total Grants	Grants as % of Revenue	Components of Grants			
				Federal	Provincial	Municipal	Othe
	(in 000's)						
Hamilton Theatre Aquarius	$ 673	$ 153	22.7	$ 59	$62	$30	2
Vancouver Playhouse	1,047	810	77.3	355	238	211	6
Citadel Theatre, Edmonton	2,097	1,117	53.3	361	731	20	5
Manitoba Theatre Centre, Winnipeg	1,554	730	47.0	330	285	99	16
Grand Theatre, London	1,277	390	30.5	210	180	0	0
Neptune Theatre, Halifax	1,207	507	47.2	310	237	20	3
Average	1,172	628	53.61	271	289	63	5

Source: Council for Business and the Arts

Grant revenues are made up of the following:

Senior levels of government -	
Ontario Arts Council	$100,000
Canada Council	100,000
	200,000
Municipal grant - City of Hamilton or Region of Hamilton-Wentworth	35,000
	$235,000

As suggested in Table 9, this grant revenue (comprising some 17.6% of total revenue in the 1987/88 year) is substantially below grants obtained by other regional theatre companies (albeit substantially above the absolute dollar level of support Theatre Aquarius currently receives) and it may be possible to negotiate higher grants with a corresponding decrease in the projected deficit.

Were Theatre Aquarius to receive grants representing 46% of total revenue (the average for the regional theatres discussed in the table), its grant revenue would have to be projected to rise to something in excess of $900,000.

Donations from corporate, individual and foundation sources are projected to aggregate $45,000, a figures coincident with the company's 1984/85 operating budget, and in excess of the level of donation support the organizaton has achieved historically. It would not be unreasonable to project annual increases.

Other income is a category utilized by Theatre Aquarius in its financial statements to aggregate revenues from summer school (projected at $37,000), investment income (projected at $35,000) and

gross "event" fund raising (projected at $73,000). Again, these levels are in excess of historically realized revenues from these sources, but should be achievable by the company at that time.

Theatre Aquarius expenses -

Fulltime salaries are projected to aggregate $177,000 comprising the following:

Position	Number of people	Salary
Executive/artistic director	1	$ 35,000
Production manager	1	34,000
Marketing and development manager	1	21,000
Financial and administrative manager/bookkeeper	1	21,000
Clerk/stenographer	1	11,000
Box office manager	1	13,000
Publicity manager	1	16,000
Administrative assistants	2	26,000
	9	$177,000

This represents an increase of three personnel over present levels.

Part time salaries are projected at $190,000 comprising:

Position	Number of people	Number of weeks worked
Master carpenter	1	42
Assistant carpenters	2	42 each
Properties manager	1	42
Properties assistant	1	42
Production assistant	1	42
Wardrobe supervisor	1	42
Wardrobe assistants	2	40 each
Stage manager	1	43
Assistant stage manager	1	43
Resident designer and scenic painter	1	43

This represents an increase of 3 part time personnel over present levels. Administrative overheads are projected at $67,000, representing a 34% increase over the 1984/85 operating budget. Marketing and development expenditures are projected to aggregate $101,000, representing a 63% increase over the 1984/85 budget.

Production costs are projected at $558,000, representing a 142% increase over the 1984/85 budget. The components of this expenditure are roughly as follows:

Nature of expenditure and explanation	Expenditure
Actors (at an average cast of 11 for 8 productions at $2,850 per actor per show)	$250,000
Set and prop manufacture	50,000
Design cost and fees	25,000
Royalties	70,000
Production materials	163,000
	$558,000

Fund raising "event" expense is projected at $38,000, down slightly over present levels, as the addition of a full time marketing and development manager should ensure tighter control over costs and increase volunteer efforts.

The projection includes notional rent to be paid to Theatre 55 for use of the Dramatic Arts Theatre facility of $135,000. This is comprised of $100,000 for use of the stage and $35,000 for use of administration, production and rehearsal facilities. The rent

component is further analyzed on a daily basis as follows:

$700 per day for 112 performance days	$ 78,400
$300 per day for 71 non-performance days	21,300
	$ 99,000
Rounded to	$100,000

In addition, Theatre Aquarius will incur other rental charges outside of the Dramatic Arts Theatre building projected at $10,000 per annum. This represents approximately 1,250 square feet of warehouse space at $8 per square foot per annum gross.

Other expenses, including summer school costs are projected at $35,000, roughly the same as the budgeted 1984/85 levels. Finally, a contingency allowance budgeted at $65,000, or approximately 5% of revenue projection, has been projected.

Theatre 55 Foundation revenues -

Theatre 55 Foundation will receive rent from Theatre Aquarius of $135,000 in its first year of operation for use of the Dramatic Arts Theatre facilities. It is projected to receive an additional $30,000 from other net rentals of the Theatre facility. Implicit in this latter figure is a substantially lower rate of daily rentals for the remaining 182 days of the year combined with a projection of a substantial number of "dark days". Notionally, we have projected that only 60 of the non-Theatre Aquarius days will be sold at an average rental of $500 per day. We are projecting that the facility will experience "dark days" or days when the facility is offered to local groups on a nominal basis, aggregating 122 days.

Gross bar revenue is projected at $60,000, a figure reasonably in line with the experience of other regional theatre facilities. The facility is projected to realize $15,000 in advertising revenue from sale of space in production programs, from posters, brochures and displays presented in the building.

The final revenue source derives from rental of the 15,000 square feet not used by the theatre facility proper, on the top, bottom and middle floors of the former public library building. Appendix 2 sets out the results of an opinion survey carried out by the real estate specialists at Woods Gordon as to the commercial viability of this space. While widely divergent views exist in the professional real estate community as to the rental revenues which might be realized by the Foundation through commercial rental of this space, it might not be unreasonable to project that the space could be rented out on average (recognizing that certain of the space is more marketable) at a gross revenue of $10 per square foot. After deducting $6 per square foot of operating costs, this would yield net rental revenue of $4 per square foot. Applying this net rental revenue rate to the 15,000 square feet available would yield $60,000 of total realty rental revenue. However, it is reasonable to assume that upwards of $10,000 of the gross realty rental ($150,000) would likely not be realized for reason of vacancy, etc. Accordingly, net revenue from realty rentals is projected at $50,000.

The $6 provision for realty operating costs includes a provision in respect of the municipal taxes ($2 per square foot),

utilities ($2 per square foot), janitorial and maintenance ($1 per square foot) and insurance, security and miscellaneous costs ($1 per square foot).

Theatre 55 Foundation expenses -

Theatre 55 is projected to have administrative salaries and benefits of approximately $76,000 and administrative overheads of approximately $33,000.

Clearly, the level of these expenditures depends on the role played by the Theatre 55 Foundation. It will have to develop or acquire the management skills associated with ownership and operation of not only a theatre facility but also a commercial building. Additionally, the administrators will have to have or develop skills in the area of theatre contractual arrangements and have the ability to fill the theatre in times when it is not rented to Theatre Aquarius, which time availability is likely to be difficult to sell given that Theatre Aquarius will be occupying the theatre facility during the vast majority of the "prime time".

Some of this responsibility for management of the facility may be diminished if local promoters purchase significant blocks of theatre time. It may also prove possible to contract out the renting of the commercial space to local commercial/industrial realtors experienced in these types of negotiations. While the initial cost of these contractual arrangments can be steep, over the term of most commercial

leases the cost may be more than offset by savings in an administrator's time. In addition, administration of the commercially rented space might well be handed over to professional property managers. Decisions of this nature will again depend, at least in part, on the relative costs of such a program as against the expenditures on administrative salaries associated with these activities.

Of course, some of the administrative costs of operation of the Theatre facility itself may be substantially reduced if Theatre Aquarius assumes a more active role in management of the non-Theatre Aquarius time in the facility.

Overheads for the theatre portion of the building have been projected as follows:

Expenditure category	
Utilities	$ 76,400
Insurance	13,600
Security	20,400
Maintenance	32,800
Janitorial (including refuse collection)	37,000
	$200,200
Rounded to	$200,000

Table 10 sets out the current overhead costs for three regional theatre facilities. The following comments are relevant to that table and the building overheads projected above:

1) Utilities tend to vary principally with the size and degree of utilization of the theatre. The Grand Theatre is active for 250 days of the year. It is closed most of the summer

TABLE 10

DRAMATIC ARTS THEATRE

COMPARISON OF CURRENT OVERHEAD COSTS FOR THREE THEATRES

1983/1984

	Grand Theatre London (approximately the same size as the proposed theatre)	Young Peoples Theatre Toronto (somewhat smaller than the proposed theatre)	St. Lawrence Centre Toronto (somewhat larger than the proposed theatre)
	$	$	$
Utilities	76,400	50,000	147,000
Insurance	13,600	12,050	N/A
Security	20,400	4,500 (electronic systems)	43,000
Maintenance	22,800	37,500	30,000
Janitorial Refuse Collection	27,000	30,000 (includes some supplies such as light bulbs)	311,000 (!)
Total	160,200	134,050	531,000
Total (excluding janitorial)	133,200	104,050	220,000
Estimated activity level in theatre (days per year)	250	300	335

Source: Woods Gordon interviews

months and the air conditioning is accordingly used only sparingly on a zone basis. The St. Lawrence Centre is actively used throughout the year and is larger. Together, these factors account for the larger utility bill. The proposed Hamilton Theatre is closer is size and projected utilization to the Grand Theatre. It is assumed that the proposed Dramatic Arts Theatre will not buy utilities from the central city plant.

2) Insurance for both the Grand Theatre and the Young Peoples Theatre is about $13,000. The figure for the St. Lawrence Centre is not available since it is apparently merged into the City of Toronto insurance policies. A figure of $13,600 has been projected.

3) Security at all three facilities is modest. There is no overnight security. The Grand Theatre has a single watchman when the Theatre is open for its 250 active days of the year. The Young Peoples Theatre has an automatic alarm system and no security guards. The St. Lawrence Centre again, has no overnight security. It seems reasonable to project using the Grand Theatre as a guideline. Any programming over 250 days might necessitate a greater provision, but presumably this could be built into the project budget. Consideration should be given to the possibility of installing an alarm system to be monitored by offsite security.

4) Maintenance is relatively modest in all three theatre facilities reviewed in Table 10. Regional theatres tend to have a collegial atmosphere amongst their staff. There tends to be an attitude amongst the staff that they should become involved with the facility and assist in minor repairs and maintenance activities. Nevertheless, it would seem prudent to adopt, for purposes of the projection, a figure at the high end of the range.

5) Both the Grand Theatre and the Young Peoples Theatre have similar costs for janitorial services and refuse collection. The administrator of the St. Lawrence Centre admits that their cost is startlingly high, attributable to a less than favourable union contract involving City of Toronto workers. For purposes of the projection, a figure somewhat higher than the Grand Theatre and Young Peoples Theatre has been adopted.

It has been assumed that the City of Hamilton will either waive realty taxes on the Theatre facility proper or make an

offsetting grant to the Foundation in lieu of municipal levies. A similar arrangement has been made with Hamilton Place and presumably the precedent has been set. The rental of 15,000 square feet of commercial space in the former public library building, however, will generate realty tax revenue for the City of Hamilton of the order of $30,000 annually.

It has been assumed that the Theatre 55 Foundation will require some core budget for technical materials over and above those expenditures charged out to individual production budgets of renters such as Theatre Aquarius and others. We have projected $25,000 for such disbursements. Additionally, the Theatre 55 Foundation will require some minimal promotional disbursements over and above those charged out to users of the facility and a projection of $25,000 has been made. A provision for front-of-house expenditures (ushers and ticket takers) of $20,000 has been made. It is assumed that a coat check operation will pay for itself and that the front-of-house manager will be funded in the individual production budgets and will accordingly result in no net cost to the Theatre 55 Foundation.

The projected cost to operate the bar (wages and materials exclusive of beverages) is initially projected at $60,000. Finally, a small contingency projection has been made of $21,000.

Results of Operations for Fiscal 1987/1988

The projections for the first full year of operation calls for a net operating loss to Theatre Aquarius of $38,000 and a net operating loss to the Theatre 55 Foundation of $170,000, totalling $208,000. We have assumed that this entire shortfall can be made up by the Board from public subsidy and that no recourse will have to be

made to bank financing. Accordingly, these projections have no provision for interest costs incured on bank lines of credit.

Projections Subsequent to Fiscal 1987/1988

All revenue and expense categories are assumed to remain unchanged (in 1984/1985 dollars) with the following exceptions:

1) The number of subscriptions sold by Theatre Aquarius is assumed to grow with the following impact:

Year	Increase	Total subscriber projection	Total subscription revenue projection (in $000's)
1988/89	12%	10,080	$615
1989/90	10%	11,088	676
1990/91	8%	11,975	730
1991/92	6%	12,693	774

2) Gross bar revenue is assumed to grow at the same rate as the number of subscriptions.

3) Grants are projected to grow as follows:

Year	Increase	Total grant projection (in $000's)	As percent of total revenue
1988/89	6%	$249	17.6%
1989/90	5%	262	17.6%
1990/91	4%	272	17.5%
1991/92	3%	280	17.4%

Results of Operations for Fiscal 1988/1989 Through Fiscal 1991/1992

The remaining four years of the projection foresees the operation moving from an annual total deficit of $208,000 in 1987/1988 to an annual operating profit of $87,000 by the fifth year of the projection. However, in the interim, annual deficits peaking at $369,000 in fiscal 1989/1990 will have to be financed by resort to public subsidy.

SECTION EIGHT

ECONOMIC AND SOCIAL IMPACT

Appendix Eight represents an assessment of the economic and social impact that the theatre would have on Hamilton.

1. The data suggests that the annual operations of the Theatre will mean that:

   - total wages and salaries of workers directly connected with the Theatre's operations will be approximately $873,000 per year

   - in addition, the Theatre will purchase each year approximately $964,000 in non-wage expenditures, of which approximately $422,000 would be spent on supplies and services from other private sector businesses - of this, an estimated $337,000 will be spent in the City of Hamilton annually

   - theatre patrons will spend $860,000 on related expenditures in the City each year

   - each dollar of local expenditure made by the theatre will generate an estimated $7.62 in the City

   - the extra additional household income generated in the City will be approximately $9,200,000

   - a total of 44 additional full-time jobs directly in the theatre and 48 additional full-time jobs through spin-off effects come about as a result of the theatre.

2. Construction will create:

   - 150 man-years of employment

   - direct household income of $3,000,000

We note that the Studio Theatre of Hamilton Place represents an impediment to the long term growth of Theatre Aquarius, in that it is a multi-purpose space not solely designed for

professional theatrical presentations and has limited seating capacity. However, the Studio Theatre has served Theatre Aquarius well, and were Theatre Aquarius to leave it:

- o Hamilton Place would have to replace a large part of the $44,700 rent budgetted for the Studio Theatre in 1984. To the extent that this is not accomplished, Hamilton Place will require additional support.

- o The City of Hamilton would likely also have to support Theatre 55 and/or Theatre Aquarius both in the capital campaign and in annual operating subsidies.

- o These additional liabilities on the part of the City of Hamilton would be in addition to its already impressive support of the arts, which apparently far surpasses arts support by other comparable communities.

3. We also note the strongly positive effect that such theatres traditionally have in:

   - leading to the creation of other retail facilities nearby, such as restaurants and shops.

   - making Hamilton an attractive place for its citizens to live, for children to grow up in and for new citizens to move to; this has an appreciable impact on the ability of businesses to be formed, survive and grow over the long term.

Conclusion

Construction will generate 150 man years of employment.

Very substantial expenditures and additional household income will be generated in the community from the operations of the Theatre.

SECTION NINE

IMPACT ON THEATRE AQUARIUS

The reader is referred to previous sections, which contain more detailed discussions of general conclusions.

Theatre Aquarius will be profoundly changed by the move to the new facility. It will find itself with an almost immediate requirement to play to a much larger audience than it has to date. To deal with these changes, a more sophisticated management organization with greater responsibilities, and a broader range of experience will have to be developed.

1. The audience

We have projected that the audience will consist of 9,000 subscribers for 6 subscription shows for the first full year of operation (1987/88). It is then projected to grow to 12,700 within 5 years.

We have also projected Theatre Aquarius' plans for two other major events and a number of minor events. The major events are a children's show (such as "Robin Hood") and a Christmas musical (such as "Oliver!"). Each of these are projected to sell 16,000 seats. This programming is assumed to remain static as these will be limited-run seasonal events.

The total seats Theatre Aquarius has to sell for events

thus becomes:

	1987/1988	1991/1992
Subscription seats:	54,000	76,000
Children's show seats:	16,000	16,000
Christmas show seats:	16,000	16,000
Total:	86,000	108,000

For non-Theatre Aquarius programs, the audience is much less predictable: but 30 performances at 400 seats each [50% capacity] would mean 12,000 seats sold.

2. Promotional Effort and Cost

In the Marketing and Development area during the first full year of operation, we have projected in Section Seven that Theatre Aquarius will spend $25,000 on salaries and benefits in its first year in the new building and $101,290 for related discretionary expenditures and overheads. There is also a provision in the Theatre 55 budget for $25,000 for promotion, intended as a core budget to meet expenses over and above those charged out to individual production budgets.

This budget totals $151,290 and represents a substantial escalation of the promotional abilities and efforts of the Theatre. There will also probably be other promotional expenditures in the individual production budgets of non-Theatre Aquarius shows.

3. Artistic and Administrative Organizational Options

There are two basic models in use. Under the more traditional one, the organization consists of a Board of Directors, an Artistic Director and an Administrator. Both the Artistic Director and the Administrator report to the Board of Directors, and have

separate contracts with the Board. Sometimes the artistic director reports to the administrator, sometimes the administrator reports to the artistic director; but normally each reports separately to the Board.

The latter is a well-tried, effective model. When the right individuals are involved, the Board acts as a mediator between the artistic direction and the administrator, sees that the organization is running smoothly and sets medium and long term policy. The administrator manages the financial and organizational affairs of the company; the artistic director makes all programming and artistic staffing decisions and often directs most of the productions.

A second common model has gained more favour in recent years. It assumes an executive producer reports to the Board. Under this model, the administrator's role is expanded into some of the artistic areas. He acts as an administrator and as a producer. Depending on his degree of artistic background, he may direct the occasional show, but, as often as not, this job is given to resident or guest artistic directors.

The advantages of this model are that the director of an individual production is freed of much of the administrative concerns that go with being an artistic director of a professional company. Theatre Aquarius has basically been moving in the direction of this second model.

In either case, the Board of Directors has a critical responsibility to set the overall direction of the company, take

TABLE 11

Dramatic Arts Theatre

Comparison of Basic Components of Revenue for the Three Main Performing Groups in Hamilton

1983/84

	%		
	Earned Income	Community Support	Government Grants
Hamilton Philharmonic Orchestra	44	18	38
Opera Hamilton	53	27	20
Theatre Aquarius	72	5	23

Source: Performing arts organization.

financial responsibilities, hire key staff and monitor the artistic and financial well being of the company. Theatre Aquarius will find that it will have to become much more efficient, much more professional, much better at raising money from non earned sources and much better connected at all levels of the community. Table 11 compares the current performance of Theatre Aquarius (for 1983/1984) with the Hamilton Philharmonic Orchestra and Opera Hamilton in respect to basic components of revenue. Clearly, the area of revenue which the Board and staff of Theatre Aquarius most urgently need to address is fundraising.

The challenge faced by Theatre Aquarius arises on many levels. Earned revenue from ticket sales will have to increase substantially, and considerable new skills will be required to achieve this. The organization will have to gain a substantially higher level of operational funding from all levels of government, most notably the senior levels. The level of private fundraising, currently very low by any standards, will have to increase several fold. The organization will have to acquire the skills needed to maintain an expensive new building.

4. Interaction with Theatre 55 Foundation

This has been discussed in Section Six. The conclusion reached there is that it is desirable that a Separate Board (presumably Theatre 55 or its successor) own and manage the building and that a resident professional theatre company (presumably Theatre Aquarius) be the prime tenant.

In addition, of course, the Board will have to raise the capital for the building, and will have to acquire the skills to maintain the complex.

5. Net Revenue Contribution of Theatre Aquarius to the building

As indicated in the previous section, the net revenue that Theatre Aquarius will notionally contribute to the building in the first year of operation will be $135,000, or 47 percent of gross revenue of $290,000. At this level, the building operation will lose some $170,000.

Conclusions

The impact on the Staff, Company and Board of Directors of the move to the new complex will be a challenge but can be handled. It will likely require an upgrading of the human resources of the Board and Staff of the company if the many enlarged responsibilities of physical relocation, expanded programming and fund raising are to be handled successfully.

TABLE 12

Dramatic Arts Theatre

Source and Distribution of Capital Budget

SOURCE		
Senior levels of government		
Federal government	3,740,000	33
Provincial government	3,740,000	33
Local:		
City (building and land)	2,300,000	21
Private	1,445,000	13
	$11,225,000	100%
DISPOSITION		
Renovated building and land	$2,300,000	20
New building and renovations (construction costs, fees and disbursements)	8,925,000	80
	$11,225,000	100 %

SECTION TEN

CAPITAL BUDGET AND SOURCE OF FUNDS

Table 12 opposite indicates the cost of acquisition of the unrenovated former Public Library building and the land associated with it which is now a parking lot. These capital cost estimates were developed by Moffatt Kinoshita, Architects and Planners, and are integral to plans and drawings and other specifications developed by them.

Table 12 also suggests possible sources of revenue, developed after discussions within the theatrical community. There are no hard and fast rules, and there are as many precedents as theatres. Accordingly, the composition of the source of revenue shown must be considered strictly hypothetical.

Discussions with community leaders suggest that the private funds required as a component of the budget will be very difficult to raise. The achievement of the public funds goal will depend on the persuasiveness of Theatre 55 Foundation and Theatre Aquarius and the general political and economic climate in the next few years.

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